

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP
JANUARY 5, 2011**

DIRECTORS PRESENT

Jim Haselton, Committee Chair
Mike Safranski, Committee Member

STAFF PRESENT

Don Chadd, General Manager
Teresa Teichman, District Secretary
Hector Ruiz, District Engineer
Karen Warner, Accounting Technician
Michael Perea, Special Projects Manager

PUBLIC PRESENT

No members of the public were present.

CALL MEETING TO ORDER

Committee Chair Haselton called the January 5, 2011 Finance/Audit Committee Meeting to order at 7:02 a.m.

VISITOR PARTICIPATION

Public comments were announced. No comments were received.

ORAL COMMUNICATION

Oral communication was announced. No comments were received.

COMMITTEE MEMBER COMMENTS

President Safranski advised he had received an invitation to the reception for John Foley, P.E. of MET.

Director Haselton commented on the article in the Orange County Register regarding the City of Orange raising fees 56% in order to pass on costs from MWDOC/MET.

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REPORT FROM THE GENERAL MANAGER

There was no report from the General Manager.

FINANCIAL MATTERS

ITEM NO. 1) FINANCE/AUDIT COMMITTEE MEETING RECAP

The December 1, 2010 Finance/Audit Committee Meeting Recap was presented to the Committee. No changes were made.

Recommendation: *The Committee recommended that the December 1, 2010 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).*

**ITEM NO. 2) RATIFICATION OF DIRECTORS' FEES AND EXPENSES
AND FUTURE MEETINGS**

The Committee reviewed this matter.

Recommendation: *The Committee recommended that the Board ratify the Directors' expenses for November 2010 and fees for December 2010. (Consent Calendar.)*

**ITEM NO. 3) STATUS UPDATE RELATING TO WATER MONITORING
AND WATER CONSERVATION EFFORTS**

Mr. Don Chadd, General Manager, advised MET/MWDOC has increased TCWD's allocation for this fiscal year to 2,961. Mr. Chadd stated the allocation has been increased due to several factors including more water available, Delta Smelt decision being reviewed, and financial considerations and implications to MET due to reduced water imports.

Recommendation: *The Committee received and filed the status update. No action necessary.*

**ITEM NO. 4) DISCUSSION AND POSSIBLE ACTION RELATING TO
BALANCE OF FUNDS IN REASSESSMENT DISTRICT NO. 5**

Mr. Chadd discussed this issue providing background on the formation in 1987, and the refunding bonds in 1989 to refund the outstanding Original Bonds and to pay costs of the refunding.

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In July of 2001, TCWD issued Limited Obligation Refunding Improvement Bonds to redeem and defease the 1989 Bonds, to make a deposit into a debt service reserve fund, and to pay certain costs of the refunding. The Assessment District was renamed Reassessment District No. 5 (the "Reassessment District").

Mr. Chadd advised the Reassessment District was levied for the last time in 2008/09. The final principal and interest payment on the 2001 Bonds was made on September 2, 2010. A surplus balance remained in the Redemption Fund after the retirement of all debt.

Mr. Chadd advised NBS was retained to perform a closeout analysis and prepare a District Closeout Analysis and Findings Report for the Reassessment District. Staff and legal counsel have determined the best use of remaining funds in accordance with the applicable laws and formation documents. This Closeout Report summarizes the recommendations for the disposition of the remaining funds.

Mr. Chadd stated if the Board approves the recommended action; the surplus in the Redemption Fund would then be transferred to a project maintenance restricted reserve account within the General Fund of TCWD. When any additional funds are apportioned from the County to TCWD from delinquent payments associated with the Reassessment District, those funds would be placed into the project maintenance account and used for project maintenance and repair exclusive to the infrastructure built by RD 5.

Recommendation: *Staff recommended establishing a special reserve account in the amount of \$69,732.44 for the repair and replacement of infrastructure related to Reassessment District No. 5. The Committee recommended forwarding to the Board (Action Calendar).*

ITEM NO 5) DISCUSSION RELATING TO ADOPTION OF TREASURER'S ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Chadd advised the committee in January of 2010 the Board adopted Resolution No. 2010-1121 which was in compliance with the legislative mandates relating to investment policies.

No changes are required within the existing policy. TCWD's Treasurer, Mr. Carl Schoonover, has reviewed the information and approved as presented. Staff has prepared Resolution No. 2011-1143 for the Committee's review and consideration.

Recommended Action: *Committee recommended that the Board adopt the Treasurer's Annual Statement of Investment Policy. (Action Calendar).*

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ITEM NO. 6) OTHER MATTERS

Mr. Chadd, advised the fiscal year 2009/2010 audit has been completed and it appears to be a “clean audit”. The report is anticipated to be received by the District later this month and to bring to the Board at the time of the February 2011 Regular Board Meeting.

Mr. Chadd provided a status update relating to the recent storm activity and damage assessments. Mr. Chadd advised he will have further documentation, estimates and photos by the time of the January Regular Board Meeting.

Mr. Chadd discussed the assistance to TCWD from the County of Orange and the OCFA as it relates to conditions in Trabuco Canyon and Trabuco Creek during the storm.

Recommendation: *The Committee received the information provided. No action taken.*

**ITEM NO. 7A) PRESENTATION OF AUGUST, 2010 UNAUDITED
FINANCIAL STATEMENT**

Mr. Chadd reviewed the November 30, 2010 preliminary unaudited financial statement. Information was reviewed including total assets, liabilities and retained earnings, WRES balance demonstrating a dedicated revenue source, and investment schedule.

Mr. Chadd also reviewed a new line item added to the report in order to demonstrate drawing from reserves which shows as a liability from restricted funds which represent the payments made to the wells project.

Recommendation: *The Committee recommended that the Board receive and file the November 30, 2010 preliminary unaudited financial statement, as presented. (Consent Calendar).*

ITEM NO. 7B) BILLS FOR CONSIDERATION

The bills for consideration were presented.

Recommendation: *The Committee recommended that the Board ratify payment of December 21, 2010 bills for consideration in the amount of \$254,359.09 and the January 5, 2011 bills for consideration in the amount of \$168,185.18 and the December 2010 payroll in the amount of \$170,640.26, as presented. (Consent Calendar).*

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ADJOURNMENT

Committee Chair Haselton adjourned the January 5, 2010 Finance/Audit Committee Meeting at 7:43 a.m.